



“Bodal Chemicals Limited Q2 H1 FY25 Results Conference Call”

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**MANAGEMENT: MR. ANKIT PATEL – EXECUTIVE DIRECTOR, BODAL
CHEMICALS LIMITED
MR. MAYUR PADHYA – CHIEF FINANCIAL OFFICER,
BODAL CHEMICALS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 H1 FY25 Results Conference Call of Bodal Chemicals Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Ankit Patel – Executive Director from Bodal Chemical Limited. Thank you, and over to you, sir.

Ankit Patel: Thank you very much. Good evening everybody. On behalf of Bodal Chemicals Limited, I extend a warm welcome to everyone for joining us on the call today.

On this call, we are joined by our CFO – Mr. Mayur Padhya. I hope everyone had an opportunity to go through the “Financial Results” and “Investor Presentation” which have been uploaded on the Stock Exchange and our Company's website.

We will give you a quick “Overview” of the Recent Developments in the chemical industry. And then Mr. Mayur Padya will walk you through the operational and financial performance for the quarter.

There are several geopolitical issues involving Russia, Ukraine, Israel and nearby countries, unrest at Bangladesh, Red Sea issue, etc., slowdown China, country-specific economic crisis and inflation are several other factors that are impacting global trade. But since last couple of quarters, industry has started living with the circumstances. We have been experiencing stability in demand for our industry products as well as stability in raw material prices. All this gives us confidence that going forward further, recovery is there, though at a slow pace. Steps to be taken by a new President at US will further decide the fate of the global economy and chemical industry considering the relationship with China.

We are India's largest integrated manufacturer of dye stuff, dye intermediates, and hold a meaningful market share in the world. We also have basic chemicals, caustic soda, and recently new product group added, benzene downstream products. In today's environment, where Indian suppliers are emerging as preferred partners globally, we have been able to hold our leadership position.

Coming straight to the Operational Performance:

During the first half of FY25, the company achieved total revenue of Rs. 858 crores, growth of 27% year-on-year basis. This growth is led by an improvement in volumes of all products, but majorly by the intermediates. The absolute EBITDA stood at Rs. 75 crores, a 25% growth on year-on-year basis. This growth mainly led by volume and better realization in our dye

intermediates. Interest, depreciation and other overheads have increased at company level on capitalization of Saykha's Benzene downstream project. On the other hand, there were negligible contributions by this project at topline level. Hence, the increased overhead offset partially profitability of other divisions. For the first half of FY25, our standalone profit after tax stood at Rs. 1.73 crore and consolidated loss after tax stood at Rs. 1.42 crores.

Coming to the Dye Intermediates:

During the quarter, dye intermediates division has performed better in volume and improved in the realization. For the first half of this year, total revenue from the dye intermediates business stood at Rs. 327 crores. Revenue from dye intermediates grew by 48% year-on-year basis. In quarter 2 FY25, revenue from dye intermediate business stood at Rs. 172 crores grew by 10% on quarter-on-quarter basis. In Q2, H-Acid and Vinyl Sulphone prices were near Rs. 444 for H-Acid and Rs. 228 per kg for Vinyl Sulphone. Being an integrated dye stuff manufacturer, we produce major dye intermediate products and about 40% of these intermediates capacity is captively consumed, resulting in a cost advantage for our dye stuff products. The balance capacity of dye intermediates is served in both domestic as well as export markets. Considering the improvement in volume, we are hopeful this division will deliver the better performance in coming days.

Coming to our Dyestuff Division:

End application industries like textiles, leather, paper and other dyestuff consuming industries have not recovered yet as expected. Revenue from Dyestuff stood at Rs. 259 crores, growth of 14% year-on-year during the first half. In Q2, revenue from dyestuff stood at Rs. 124 crores, a degrowth by 8% on quarter-on-quarter basis. During the quarter, dyestuff industry, major supplier to textile has been impacted by Bangladesh political disturbance.

Coming to the basic Chemicals division:

About 40% of our basic chemicals are captively used for dye intermediates. The volume is optimum, however, due to declined raw material and finished good prices, the revenue for first half FY25 stood at Rs. 44 crores and has reported a degrowth of 7%. In Q2 FY25, revenue from basic chemicals stood at Rs. 23 crores, a growth of 13% on quarter-on-quarter basis.

Coming to the Chlor-Alkali business:

During the first half FY25, Chlor-Alkali business has reported a revenue of Rs. 155 crores, a growth of 20% on year-on-year basis, led by the volume growth of 17% year-on-year basis. The revenue and volume remained flat on quarter-on-quarter basis. The company is expecting further volume growth in coming days with anticipation of better chlorine consumption by surrounding CPW units, including a new player. The prices are improving and looking for better performance for this division considering the positive demand and end-use industry in the medium term.

Coming to the benzene derivatives:

Our Saykha Greenfield project, the benzene downstream products has achieved the required quality norms, but due to negligible scale of production, this unit has not contributed to the revenue in Q2 FY25. We are now required to achieve and obtain certain certifications to enable us to cater to the pharma industry, which is the major target industry for us. We expect this unit will start contributing to top and bottomline to some extent in Q4 FY25 and major increase in volume will happen thereafter. Sener Boya in Turkey is experiencing hyperinflation.

During the quarter Q2 FY25 due to AS 29, there is a Rs. 1.85 crore loss, and the same is already a part of declared result. Chinese and Indonesian subsidiaries have performed satisfactorily. We have been moving up the value chain and working relentlessly towards diversifying the business from our core dyestuff and dye intermediates business to other specialty chemical products like benzene derivative. Manufacturers and exporters in India are having a challenging time managing the overhead cost. Over the years, chemical industry has seen a transformation. Long-term story of India remains intact, and the chemical industry is poised to grow from here on. Thank you, and now I hand over the call to Mr. Mayur Padya to walk you through the financial performance.

Mayur Padya:

Good evening, everyone.

The overall performance of the company has been satisfactory for the quarter gone by. Our standalone performance for Q2 FY25 is as follows. Total revenue for Q2 FY25 stood at Rs. 428 crores. EBITDA stood at Rs. 37 crores. Net profit for the quarter stood at Rs. 59 lakhs.

Our standalone performance for H1 FY25 is as follows. Total revenue for H1 FY25 stood at Rs. 849 crore. EBITDA stood at Rs. 76 crore. Net profit stood at Rs. 1.73 crore. Our consolidated performance for Q2 FY25 is as follows. Total revenue stood at Rs. 434 crore, EBITDA stood at Rs. 38 crore, net loss for the quarter stood at Rs. 24 lakhs.

Our consolidated performance for H1 FY25 is as follows. Total revenue stood at Rs. 858 crore for H1 FY25 against Rs. 677 crore for H1 FY24. EBITDA stood at Rs. 75 crore and there is a growth of 24%. Net loss for the half year stood at Rs. 1.48 crore against net profit of Rs. 3.45 crore in H1 FY24.

Division-wise performance on a consolidated basis for H1 FY25 are as follows. Dye stuff revenue stood at Rs. 259 crore. Dye intermediate revenue stood at Rs. 328 crores. Basic chemicals revenue stood at Rs. 44 crore, Chlor-Alkali revenue stood at Rs. 155 crore.

Total production volume on a standalone basis for H1 FY25 are as follows. Dyestuff reported 7,968 metric tons, dye intermediates reported 12,785 metric tons, basic Chemical reported 1,13,499 metric ton. Chlor-Alkali reported 44,528 metric ton.

With this, I conclude the presentation and the floor is open for discussion as well as question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: I have a couple of questions. Sir, this one-off loss which we have taken, I believe we have taken last quarter also and earlier also we have taken such losses. For how many quarters are we would be continuing taking these losses from the hyperinflationary environment and all?

Ankit Patel: It is difficult to predict because it depends upon the inflationary trend over there, but it is there since about 2 years. So at some level it should cool down, but it is difficult to say specifically what can happen. But the figures are reducing. Last quarter it was Rs. 2.44 crore and the quarter for which we declare the result it is Rs. 1.85 crore. So let's hope that it will stabilize at some level and there won't be further losses.

Aditya Khetan: And sir on to the benzene derivatives, sir do we have the revenue figure for this quarter? Like how much volumes have we done or we are still into the sampling stage only as of now?

Ankit Patel: Yeah, 622 metric ton is the production. And it's about Rs. 1.4 crore of revenue for this quarter. So this figure will further improve in current quarter. And thereafter, good remarkable topline, bottomline contribution should be there from this division.

Aditya Khetan: As a part of this product, like have we received approval from all the customers or we are still into that sample stage only at some point in time?

Ankit Patel: So there are three main areas where this set of products are used. I mean the majority is pharma industry where the PNCB, the main product is used. They have the larger players where we are in the process of getting the approvals. We should get them around the month of December. At the same time, dye intermediate players and agrochemicals is again the two-space where these products are used. So there, our sampling approvals, certification, most of that has gone through. So we have started dispatches this month. We are expecting to reach about 30% utilization in the month of December. In January, we are planning to cross more than 50% utilization.

Aditya Khetan: Sir by January you said you are planning to cross 50% utilization?

Ankit Patel: For the month of January, our target is to cross 50% utilization.

Aditya Khetan: Sir when we look at the performance of the overall company, so the caustic soda I believe now it has ramped up to the peak utilization level for this Chlor-Alkali business, but sir it has not been able to provide any, you can say offtake to the EBITDA margins of the company overall like earlier we were completely dependent on textiles, dyes, paper, caustic soda to more widely used into detergents and other end users in the system. It has not been able to give some boost

to EBITDA. Any color sir how things will move ahead or this is the new normal like for us, we will be operating at 7%-9% EBITDA margin range only?

Ankit Patel:

So caustic soda after the modernization and the expansion, last few quarters have definitely been better EBITDA performance in the Chlor Alkali business for us. The reason for the single digit EBITDA since last few quarters, I think that was due to the lower volumes in die stuff and die intermediate segments. I think that is what hurt us for few quarters. Now going ahead, caustic remains to do strong EBITDA as well as now die intermediate is also in a better shape right now. Dye stuff is where we have some volume challenges, but it is still better than the Q1 numbers. I think the only division that needs to start ramping up and contribute to the top and bottom line is the benzene derivatives for us in terms of the large businesses that we have. So I think all other are in a good satisfactory level. I think as soon as the benzene starts contributing more than 50%, 60%, 70%, I think we can see a good turnaround in terms of the EBITDAs and all.

Mayur Padhya:

Let me add here something. Last quarter, we have not seen the optimum benefit as far as caustic and die intermediate which we should be able to see in current quarter. So current quarter will give us somewhat better result and once the Saykha project gets stabilized, then there will be new normal. So that will definitely be more than 11%-12%.

Aditya Ketan:

And sir, on to the die stuff and die intermediates, like you mentioned, there are some challenges which prevail for the last 1-2 years. Sir, how you see like, so the structural things have changed now and the players who are into this business will operate at these levels only or you see something improving here considering some structural trend which is changing like lower imports from China or anything like which is changing which can improve the base of these businesses which we continue to operate at this range only?

Ankit Patel:

So like Mayur bhai just mentioned, last year and a half were slow not due to structural changes here in the industry in India, or due to Chinese imports. It was due to the post-COVID relaxation, the 6 quarters were very strong, where our company also performed very well and post that, there was a slowdown in few sectors, especially manufacturing sectors because the global demand slowed down and all these political problems happened across the world. So since then we had about 6 quarters where things were very slow. But since the last couple of quarters it is on the recovery mode and I do not believe that going ahead, the intermediate business will be in a single digit EBITDA performance. I think looking at the average of next few years we should definitely do more than 10%. And with the addition of Chlor Alkali which does in the range of around 16%-18% for us and with the addition of benzene derivatives, I think in a few months, we should be at around 12%-13%.

Aditya Ketan:

And sir, by when are we expecting these improvements like, in second half or by FY26 only we will see?

- Ankit Patel:** I think Q4 of this ongoing financial year will definitely have a decent contribution from the benzene derivatives. Looking at current die intermediates order book and the improvement in the die stuff volumes and Chlor Alkali going strong, I think Q4 should definitely be a good quarter for us. Going ahead also, there will be some ramp up in the capacity, maybe reaching the maximum level of the benzene derivative business. So I think Q4 of this year and Q1 of FY26 will be the optimum year for us.
- Aditya Ketan:** Sir, just one last question, if I may squeeze in sir, Mayur sir has earlier said that we will be receiving some incentives from the Punjab government for the caustic soda business. Sir, what is the status on the sale, and have we started receiving it and by when we will receive if we have not?
- Mayur Padhya:** No, we have not yet started receiving it and the last week, what we have checked with this Punjab Invest Department as per that, whatever the issue internally they were facing that has got resolved, and within about 3-4 months, the whole process should get completed. So, there are still two stages which we are required to cover up that is district-level committee approval and state-level committee approval, but now things are in place and we are expecting maybe in month end or next month, the process once again will go ahead. And by this year-end, we should definitely get the approval and after that there will be departmental process. So once this state government gives approval then the matter goes to electricity department and GST department. So over there, there will only be a formality. So, we should start getting fund from next year, from say, first quarter of next year or so. Current year, there is a possibility, but we can't say definitely.
- Aditya Ketan:** Sir, what is the probability, if you can say, so 50-50 like we will be winning that incentive or you see like there are more chances that it will not come also, any color like if you can give?
- Ankit Patel:** Before acquiring the asset there in Punjab, we had done this due diligence in terms of all the government schemes that they have and we definitely were able to successfully check that in the recent past, many companies have received such incentives. Just like us, who is waiting for the incentives to be encashed, there is also JSW who have done a lot of investments in Punjab in the recent time. So, I do not believe that there is any chance that we will not be receiving it yet. Yes, there may be delays. I think that happens from time to time in different states and different governments. But I think we are very positive. All the dialogues so far with the officials, there has been always confident feedback and there is always a process, the process is always pushing ahead. So, it may be delayed here and there, but we will definitely receive it.
- Mayur Padhya:** There is no question about getting it. There is only a question about when we are going to get it.
- Moderator:** Thank you. The next question is from the line of Lovkesh, an Individual Investor. Please go ahead.

- Lovkesh:** I have a couple of questions. The first question is regarding the exact amount of interest in depreciation for the benzene derivatives project which has been charged to the profit or loss account in the second quarter?
- Mayur Padhya:** For Benzene derivative, interest monthly is about Rs. 3 crores.
- Lovkesh:** For the full second quarter, please, not the monthly?
- Mayur Padhya:** Yes, for the full second quarter, it is about Rs. 9 crore interest and Rs. 5.4 crore is depreciation.
- Lovkesh:** My second question is, as and when we anticipate the maximum amount of capacity utilization for the benzene project and as things stand, even the prices are where they are, what is the amount of revenue we are expecting and what is the EBITDA percentage we are expecting?
- Mayur Padhya:** It depends upon the prices but what we are expecting.
- Lovkesh:** If we take prices, where they are?
- Mayur Padhya:** Yes, then it is about Rs. 320 crores of topline we should be getting from this project and at the EBITDA of about 13%-14%.
- Moderator:** Thank you. As there are no questions from the participants, I would not like to hand the conference over to the management for closing comments. Over to you, sir.
- Ankit Patel:** With this, we conclude the call and would like to thank everyone for joining us today on this earnings call. If you have any further queries, you can connect to us. Thank you so much.
- Moderator:** Thank you very much. On behalf of Bodal Chemicals Limited that concludes this conference. Thanks for joining us, and you may now disconnect your lines. Thank you.